

## Overview of the EFC Formula

The following table provides an overview of how the expected family contribution (EFC) for a dependent student is calculated. For more detailed information, see *The EFC Formula* for a specific award year. *The EFC Formula* for the most recent award years is available at [www.ifap.ed.gov](http://www.ifap.ed.gov).

### Steps to Calculating the Parent Contribution:

1. Calculate parents' total income:	Parents' taxable income (or income earned from work for nonfilers) plus untaxed income Subtract total of additional financial information
2. Calculate parents' available income:	Subtract allowances from parents' total income
3. Calculate parents' contribution from assets:	Subtract Education Savings and Asset Protection Allowance from parents' net worth to calculate parents' discretionary net worth Multiple parents' discretionary net worth by 0.12 (12 percent)
4. Calculate parents' adjusted available income:	Total parents' available income (Step 2) and parents' contribution from assets (Step 3)
5. Calculate total parents' contribution from adjusted available income:	Calculated using a table; either a percentage of parents' adjusted available income or a base amount summed with a percentage of parents' adjusted available income
6. Parents' contribution:	Total parents' contribution (Step 5) divided by the number of family members, excluding parents, enrolled in postsecondary education

### Steps to Calculating the Student Contribution:

1. Calculate student's total income:	Student's taxable income (or income earned from work for nonfilers) plus untaxed income Subtract total of additional financial information
2. Calculate student's available income:	Subtract allowances from student's total income
3. Calculate student's contribution from available income:	Multiply student's available income by 0.50 (50 percent)
4. Calculate student's contribution from assets:	Multiply student's net worth by 0.20 (20 percent)
5. Calculate student's contribution:	Total student's contribution from available income (Step 3) and student's contribution from assets (Step 4)

### Calculate the EFC:

EFC:	Sum of parents' contribution and student's contribution
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## Appropriate Use of Professional Judgment

The following chart lists some situations for which students and their families may request professional judgment, and indicates whether or not the exercise of professional judgment authority would be appropriate. Information about professional judgment is located in the *Application and Verification Guide*, which is available at [www.ifap.ed.gov](http://www.ifap.ed.gov).

Situation	Professional Judgment Appropriate	Professional Judgment not Appropriate
Elementary or secondary school tuition	✓	
Medical or dental expenses not covered by insurance	✓	
Nursing home expenses not covered by insurance	✓	
Unusually high child care costs	✓	
Homelessness or dislocated worker status	✓	
Recent unemployment of a family member	✓	
Other changes to a family's income and assets	✓	
IRA rollovers	✓	
Vacation expenses		✓
Tithing expenses		✓
Standard living expenses, such as utilities, credit card payments, and children's allowances		✓